

A MODERATION OF STAR RATING ON THE CORRELATION BETWEEN INTEGRATED STRATEGIES AND ORGANIZATIONAL PERFORMANCE: A PROPOSED FRAMEWORK

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ABSTRACT

Organizational Performance has been a well-liked discussion topic among business researchers. This is due to the conflict of objectives in measuring the performance. Although performance depends very much on its objectives but researchers are also concern on the strategy to be implemented in ensuring of achieving the performance. There are varies of business strategies have been discussed. This research is attempting to integrate strategies by different business gurus and incorporate them with human resource approach in achieving a single strategy dimension and it will be tested the correlation with organizational performance On top of that, this research also is proposing to compare the different level of hotel star rating and how does it influence the strategy uses in the correlation to the performance.

Keywords: Strategy, integrated business strategy, human resource approach, organizational size, organizational performance

INTRODUCTION

Strategy has been reported to be a well-liked and never ending research area as it may change due to size of organization, uncertainty of environment or even based on the objectives of an organization (Miles & Snow 1978; Porter, 1980; Hofer & Schendel, 1978; Ansoff, 1980; King, 1980). Strategic issue also has been defined as an emerging development which in the judgment of some strategic decision makers is likely to have significant impact on the organization's present and future strategies (Miles & Snow, 1978; Porter, 1980; Hofer & Schendel, 1978; Venkatraman, 1989a; Ansoff, 1980). The issue on strategy also has been well argued and it is said that there are lack of researchers conducting study on hospitality strategy. Hence, from the review and study conducted by hospitality researchers', it is found that most of the strategies used in hospitality researcher are adopted strategies from business strategies measurement. The issued aroused through this method are such researchers found that some of the business strategies are not appropriate measurement to be used in service industry research. For example, the Miles and Snow (1978) and Porter's (1985) strategies measurement have been used in hospitality industry study and researchers found there are no significance relationship between the strategy and performance (Schaffer, 1986; Dev, 1988; Tse, 1988; West, 1988; Crawford-Welch, 1990; West and Anthony, 1990).

Due to conflicting results obtained, this study is attempting to integrate business strategies from different business strategy gurus and incorporate them with human resource approach. The reason of incorporating the human resource approach into strategies is due to the nature of hospitality business that mainly involved human services. Hence, researchers found that since the critical factor of hospitality industry is the manpower or human resource, a number of authors have attempted to match appropriate human resource (HR) practices with different business strategies (Mintzberg, 1973; Miles and Snow, 1974; Porter's, 1985; Schuler and Jackson, 1987; Miller's, 1987). Through this integration and incorporation, this study is supposed to contribute to a knowledge and literature in the hospitality industry research. This knowledge also supposed to support the suggestion made in many of iCHRIE (hospitality association) forums.

REVIEW OF THE LITERATURE

Organizational Performance

Organizations, regardless of profit or non-profit will measure their performance. This activity is to ensure that the organization is doing great in leading its business activities. By measuring the performance, an organization will have a detail feedback on what are their strengths and weaknesses. Through these, the management may utilize the information and correct as well improve the weaknesses in achieving a wished performance.

On top of measuring overall organization performance, management of an organization is also expected to be aware with employees behavioral and performance. This is due to a success of an organization is said to be anchored by employees positive attitude. This has lead on a research need to be conducted in the area of measuring employee performance in an organization.

Researchers argued that performance should be viewed through various perspectives due to the organization objectives are varies base on operational environment, development and more. For example goal approach (Etzioni, 1964) which assumes that organizations pursue definite and exclusive goals. Differs than the system resource approach (Yutchman and Seashore, 1967) focus on the relationship between the organization and its environment. Through this approach, it defines the performance in terms of the organization's ability to secure insufficient and valued resources. On top of the two approaches mentioned earlier, organizational performance also was argued to be viewed through the process approach (Steers, 1977). In this approach, the performance is defined to be observed through the behavior of organization participants. On top of that, in most of hospitality researchers, performances are viewed through return on investment and return on sales (Schaffer, 1986; Dev, 1988; Tse, 1988; West, 1988; Crawford-Welch, 1990; West and Anthony, 1990).

Since there are different perspectives and views about performance, it has lead to disagreement on which perspectives is the most appropriate approach that an organization should utilize (Goodman 1977a). Due to these perspectives, this study is proposing human resource scorecard as the measurement for measuring organizational performance. One of the advantages of human resource scorecard is that, it does not measure only a focus area like others earlier measurement measuring process only or even focus on measuring organization goal, instead in the human resource scorecard, an overall organizational performance measurements starts from strategic, operation, customer and financial perspectives of an organization will be measured (Becker, B.E. etc, 2001; Kaplan and Norton, 1992). Further, human resource scorecard help to measure focus on overall employees' performance which is align to the study main objectives which is test the correlation between integrated strategy with organizational performance.

2.2 Integrated Strategy

Strategy is treated as a plan on how an organization utilize in exercising it activities in achieving the desired goals (Quinn, 1980; Miles and Snow, 1978; Miller's, 1987; Porter, 1985; Jackson and Schuler, 1987). Failed to organize an appropriate strategy, an organization is seen to be faced impediments during operating it activities. For example, if a desired goal is to reduce employee turnover, strategy of Human Resources activities is seen to offer help in ensuring that employee satisfied with organization and this will protect them from leaving the organization. The content of a strategy is vital since it can be modified based on current circumstances. Strategy content is how an organization interacts with its environment, and the way it seeks to improve its performance (Rubin 1988).

Integrated Business Strategy

Without doubt, in any type of business or even in life cycle need to have strategy. Quinn (1980) defined strategy as a pattern or plan that integrates an organization's major goals. Hence, Hasliza (2007) found that by integrating strategies, it helps the organization to measure

overall organization performance by accumulating not only through once perspective for example integration of human resource and marketing strategies. Strategy also has been portrayed as a plan – a direction, a guide or course of action into the future – and as a pattern, that is, consistency in behaviour over time (Mintzberg 1994).

Strategy is also defined as the building block of strategic management and note that a secure foundation (strategy) is needed if the process (strategic management) is to function properly (Webster 1994). Business strategy can be thought of a set of decisions about direction of a firm (Bird and Beechler 1995), whilst others scholars such as Schuler and Jackson, 1987a; (Dowling and Schuler 1990) have agreed that business strategy implies a series of systematic and related decisions that give business a competitive advantage relative to other businesses. Robbin (1990) defined business strategy as determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Based on these definitions (that have been made from different authors), it can be concluded that business strategy are more concern about management decision in leading to the organization goals. This scenario is seen to be one of the factors contributed to the employee dissatisfaction due to decision of an organization will be more decided by management without taking into consideration of employees concern. On top of that, lower level employees activities are strictly being monitored and controlled by management; lack of trust given by organization's management.

Most organizations began their strategic planning cycle by updating and revising their business objectives in relation to performance. The reviews are mostly in key areas such as people, standards and business development (Mintzberg, 1994). People have been a well-liked research issue since it has been agreed that people will ensure high performance impact of an organization. Hence, people also are the frontline in servicing product that can contribute to satisfaction of customer. Without a good service by an employee, an organization will collapse as customer will turned to competitor firms. Since a critical factor of an organization is the manpower or human resource, a number of authors have attempted to integrate appropriate human resource approaches and business strategies (Mintzberg, 1973; Miles and Snow, 1974; Porter's, 1985; Schuler and Jackson, 1987; Miller's, 1987).

Integration of scholars' strategies is proposed in this study, it is due to the need of achieving the most popular strategies dimensions' discussed by scholars in business area. This attempt also will help to have a round up strategies and focus more on overall business as a whole rather than focus on one specific area per se. The measurement will be produced through typology which will compare all five gurus' measurement in one typology and extract the most popular strategies as tabulated in table 1.0. The reason of integrating the gurus' strategies is because it is believed that through integration, it help to develop most dominant strategies discussed and validated by different gurus and compressed them to become one. This will make the strategies more dominant. Further, there are researches integrate strategies from different authors in order to tune the strategy to the organizational needs (Hart, 1992; Beer, 1985; Bamberger and Meshoulam, 2000; MacDuffie, 1995; Wright et al., 1998). Most of authors agreed that business need to have a proper guideline in achieving their targeted organizational performance.

Through the integration of strategies gurus, strategies measurement dimensions found to focus on the product or market-breath, innovation, timing of entry, cost or efficiency, employee competency and quality. As tabulated in table 1.0, Miles and Snow (1974), Porter (1985) and Miller (1987) agreed that organization need to focus on their product or market-breath in gaining success to organization. By having market-breath an organization is seen to have better opportunity to be dominant in market. On top of that, an organization also need to come with creativity in innovating product or services (Miles and Snow, 1974; Porter, 1985; Jackson and Schuler, 1987; Miller, 1987). Most of the scholars also agreed that once an innovated product or services has been decided, organization need to ensure of the timing on when the product or services need to be launched.

Besides, focusing on the mainstream product innovation and timing of entry, Miles and Snow (1974), Porter (1985) and Millers (1987) agreed that an organization need to take into consideration of its employees competencies. An organization is suggested to consider of how their employees capabilities align to the innovation of product and services that they foresee to be established. Whether through their technological competencies, employees risk taking or even employees' motivation toward innovation of new product or services.

With all dimensions of dominant strategies gathered from the integration of the scholars' strategies, the organization also should not forget about the quality perspectives (Miles and Snow, 1974; Porter, 1985; Schuler and Jackson, 1987; Miller, 1987). These dimensions are vital since customers need and always requested for a quality product or services.

Table 1 Integration of business strategies typology

| Business Strategies Dimension | Miles & Snow | Porter | Jackson & Schuler | Miller | Selected Dimension |
|--|--------------|--------|-------------------|--------|-----------------------------------|
| 1) Product market breath | x | x | | x | Product/marker breath |
| 2) Success posture/innovation | x | x | x | x | Innovation |
| 3) Surveillance rationality | x | | | | |
| 4)Growth/Assertiveness/timing of entry | x | x | | x | Timing of entry / Cost efficiency |
| 5) Technological goal/cost | x | x | | x | |
| 6)Technological breath/employee behaviours | x | x | x | x | Employee competencies |
| 7)Technology buffers/risk taking | x | | x | x | Employee competencies |
| 8)Dominant coalition/financial | x | x | | | |
| 9) Planning | x | | | x | |
| 10) Structure | x | | | x | |
| 11) Control | x | | | | |
| 12) Resource Level | | x | | | |
| 13) Active Marketing | | x | | x | |
| 14) Quality | x | x | x | x | Quality |

a. Miles and Snow (1978) Strategy

There are four strategies that have been brought up and discussed by Miles and Snow (1978): defender, prospectors, analyzers and reactors. Defender- discussed more on how to maintain the organization stability through the human resource perspectives. It is believed that by maintaining a good relationship between the employer and employee, it will give a positive impact on the working environment. The second strategy of Miles and Snow (1978) is the prospectors.

Prospector is where the organization is encouraged to focus of exploiting new market. Therefore, the organization need to develop more creativity of the product offered. For example, new product technologies or new services offered to their customer. Hence, through prospector, an organization gives some flexibility to their employee to come out with new ideas.

Finally in Miles and Snow (1978) strategy, react toward analyzer is vital because this will show whether the organization really take into consideration of what has been analyzed in achieving organization's performance. Hence, the top managers will frequently perceive change and uncertainty occurring in their organizational environments. In view to the discussion of Miles and Snow (1978) strategies, it can be concluded that this strategy is focusing on marketing perspectives in achieving growth of an organization.

b. Micheal E Porter (1985) Strategy

In his typology, Porter (1985) developed three strategies for defending firms' performance in competing through industry. The Porter's strategies are focused more on management activities. The first one is the cost leadership strategy. In this strategy, organization is encouraged to tightly monitor the cost of production, for example to cut the labor cost and reduce the cost of production.

Uniqueness is the second strategy that Porter is focusing. With this view, Porter (1985) has suggested that the organization of applying this strategy need to consider differentiation strategy. The product that the organization produce need to be unique or an extra ordinary products, regardless the product is a service or a tangible product. The organization that falls under this strategy need to be always creative and always suggesting a new innovative design which this will pull the market to consume the products from the organization. The third strategy that Porter (1985) developed is the focus strategy, in which the organization concentrates on a particular group of customers, geographic markets, or product line segments. Porter (1985) suggested that focus strategy can facilitate organization in determining the target market segment. On top of that, the product design need to meet particular segment, it will be better than broadly targeted competitors. Through this as well, it will help to raise the buyer value for the product.

c. Jackson and Schuler (1987) Strategy

Along to the contribution of new strategies by authors, Jackson and Schuler (1987a) also contributed to the development of strategies in improving the organizational competitive advantage. The concept of competitive advantage described by Porter as the essence of competitive strategies (Porter, 1980). The different that Jackson and Schuler (1987a) brought is that they have included human resource view in development of business strategy. The inclusion of human resource strategy is due to the business environment noticed that human resource is vital in ensuring business activities. Emerging from his discussion are three competitive strategies that organizations can use to gain competitive advantage: cost reduction, innovation and quality enhancement.

Similarly to Porter's (1985), cost reduction strategy by Jackson and Schuler (1987a) is focusing on the reduction of the production cost which will include the overhead minimization, operation efficiency, economies of scale and tight control. The primary focus of these measures is to increase productivity, that is, output cost per person. This conceptualized reduction in the number of employees and/ or a reduction in wage levels. The second strategy that focused by Jackson and Schuler (1987a) is the innovation. An innovation is a strategy to be the most unique producer and conceptualizing this, the organization must encourages it employees to be innovative. According to Kanter (1985) : *Innovation (and new venture development) may originate as a deliberate and official decision of the highest levels of management or there may be the more-or-less "spontaneous" creation of mid-level people who take the initiative to solve a problem in new ways or to develop a proposal for change. Of course, highly successful companies allow both, and even official top management decisions to undertake a development effort benefit from the spontaneous creativity of those below.* Firms that pursuing the competitive strategy of innovation will have the profile characteristics as follow; unique, encourage employees to offer suggestions, high quality, extraordinary service, innovative design, technological capability, or an unusual, positive brand image.

Finally, Jackson and Schuler (1987) has suggested that quality enhancement to be in their business strategy. The profile of the firm that applies quality enhancement strategy are such as they need to be flexible in workers involvement, and the firm also need to be cost focus or differentiation in narrow the segment. Through this, the employee will be more concentrated to do their particular responsibility and will be expert in their particular area. This will lead them to have better understanding of their job and they will easily suggest any misleading about the job.

d. Millers (1987) Strategy

Miller's focused his strategies on five measurements namely innovation, market differentiation, breath-innovation, breath stability and cost control. Through the strategies, Miller's has differentiated the approaches through three different approaches which are the rationality, interaction and assertiveness. Rationality shall be seen as an analysis of whole business scenario together toward the future operation of organization and what are the forecast planning in embracing the future acquaintances.

On top of that, consensus-building versus the individual decision making also taken into consideration by having good interaction among employees in decision making on organization's business strategy. Hence, this will help on the bargaining of forecast planning that the organization will carry during their business operations. Moreover, assertiveness is viewed as a vital factor in ensuring the strategy is well organized by being proactive toward business decision. The organization also needs to consider on taking risk while deciding of business operations.

Human Resource Approach

This approach stresses on the idea of human resource and needs to be incorporated with business strategy by means of a single objective that is to maximize economic returns by integrating human resource and business strategy (Tyson 1995). Hence, by having both dimensions managed strategically, it will greatly influence the performance level of an organization, group and individual. The human resource approach is determined through two dimensions which are the hard and soft dimension of human resource. The approaches of hard and soft dimensions have been supported through the Sintok Symbiosis Model which focusing in managing human resource (Ab. Aziz 2005). The model discuss on how important human resource managers to regards human resource approach in carving the success and survival of their organizations.

Today, Human Resource managers are facing uncertain, competitive and multifaceted business environment in managing organizations in the volatile business environment. As a result, their responsibility has become more critical in managing manpower particularly in leading to the organization success and survival of an organization. Hence, as managers, it is vital to understand that they are the key players in running an organization. On top of that, it is also important for them to understand the holistic and widespread approach in managing their human resource by having balance of the soft and hard dimensions of its approach as strategy. Moreover, by having hard and soft dimension managed side-by-side in managing human resource, it will help to give equilibrium, profits and find ways into regression objectives (Ab. Aziz, 2005).

The Essence of Star Rating in Determining Strategy Used by Organization

As has been discussed earlier, strategy used by organization may be varied by objectives of organizations. The decision on which strategy to deploy depends on a range of issues such as complexities of size, processes and operations (Mabert et al., 2003; Terziovski and Samson, 2000). For example, Terziovski and Samson (2000) have found in their study that size of an organization does matter in implementing strategy for an organizational success. This finding is supported by Powell (1995) based on an empirical study of the performance consequences of TQM as strategy implementation. The study found that even though larger firms were more likely to adopt TQM than smaller firms, the correlation between company size and TQM

suggested that company size may impede successful TQM implementation. This is supported by Fisher (1993) who conducted a study of Australian Quality Council member companies (n = 49) in order to test the perceptions of CEOs on the link between TQM and organizational performance.

However, most of the studies conducted are based on size of an organization and they were not conducted in service industry mainly the hospitality industry. Due to that, this study is proposing a new environment which it will focus on hotel industry in Malaysia. Schaffer (1996) has conducted his study on the effect of strategy on performance has found that there are no significant between the linkages. In the study also he suggested that a moderation factor of star rating may appropriate in the enhancing the linkages. In supporting to this, Dev (1998) continued to conduct a similar study to 204 top managements as respondents and found that there are partly significant of the linkages. Dev has made suggestion of more studies should be conducted in attributing star rating or size of hotels as factor in boosting the relationships.

CONCEPTUAL FRAMEWORK

This study is proposing the classical strategy theory as the main theory to be used due to the study is trying to formulate the dominant strategies amongst various early strategies scholars. Although the classical strategy theory has been criticize as a theory that is not comprehensive of the inside organization, leading to a simplified approach to process of strategy form(ul)ation. The theory is still being used and has been touched with different contributions by numerous authors (Demsetz H, 1993; Andrew K.R, 1998; Amit R etc., 1993).

Hence in this study, the classical strategy theory will be enhanced through the integrated business strategy and the incorporation of human resource approach in the strategies. This encourages the formulation of strategy and in enhancing the organizational performance. Another aspect of this study is the size of organization which is said to be influenced the strategy used by the organization. Therefore, based on the literature reviewed, the theoretical framework shown in Figure 1 is proposed.

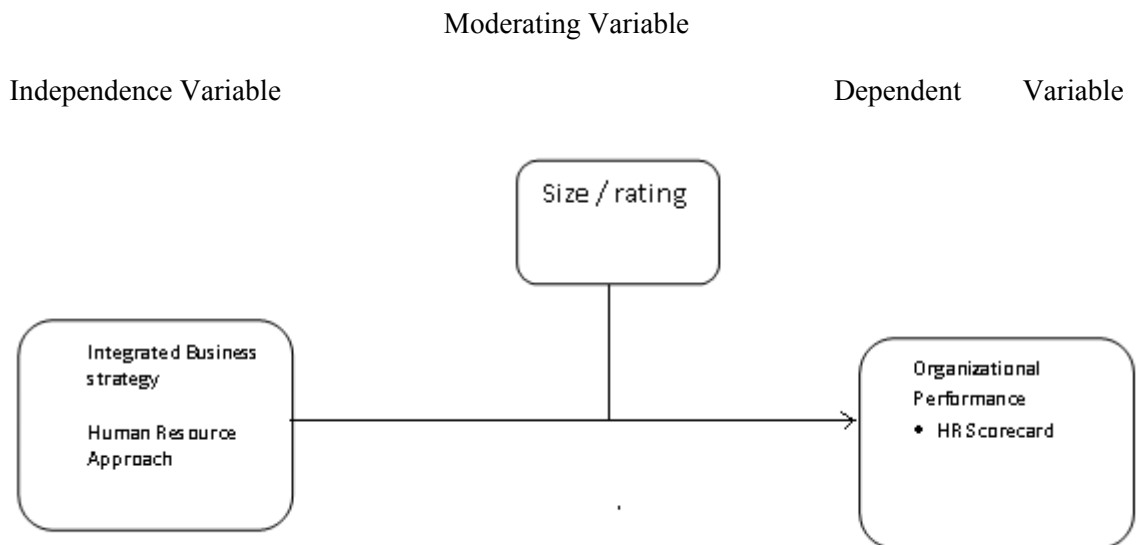


Figure 1. Conceptual framework for predicting the relationship between integrated strategies, size of organization and organizational performance.

CONCLUSION

Organizational performance has long been discussed as factor to measure strength or weakness of an organization (Yutchman, 1967; Porter, 1985; Kaplan & Norton, 1992; Backer & Huselid, 2001). In reflecting to achieve high performance, an organization will need to focus on their objective for a particular period. These objectives need to be supported by appropriate strategies in achieving it.

This paper proposes that size of organization will influence the strategy used in achieving organizational performance. This is due to previous empirical studies examine strategy solely by single strategy or if they are integrated strategies, they are integrated by group of activities for example human resource, business or even marketing strategy only. Further, it has been suggested that size of organization influence the strategy used. Due to the discussion of the proposed framework, it is suggested that to improve organization performance, organization ought to identify whether or not by integrating different set of strategies is supportive for them to refine strategies so as the organization will perform at best.

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